MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BAC1624 – MANAGEMENT ACCOUNTING 1

(All Section / Groups)

26 OCTOBER 2018
9.00 AM –12.00 PM
(3 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 6 pages (excluding cover page) with 5 Questions only.
2. Answer **ALL** Questions in the answer booklet provided.

QUESTION 1

(a) Explain why the FIFO method in process costing is considered more superior than the weighted average method.

(4 marks)

(b) Chemical Solutions Sdn Bhd manufactures industrial solvent; an additive used by paint manufactures. It has two departments, the mixing and the packing department. The problem focuses on the mixing department. Chemical Solutions Sdn Bhd uses the FIFO method in its process costing system. Direct materials are added at the beginning of the process. Conversion cost is added evenly throughout the process. The following data concern the operations of the mixing department for the month of October 2017:

Work in process, October 1:	
Units in process beginning	6,000
Percent completed with respect to materials	100%
Percent completed with respect to conversion	60%
Costs in beginning inventory:	
Direct Materials cost	RM 1,350,000
Conversion cost	RM 502,850
Units started into production during October	21,000
Units completed and transferred out in October	23,000
Cost added to production during the October:	
Materials cost	RM 5,040,000
Conversion cost	RM 2,664,000
Work in Process, October 31:	
Units in process ending:	4,000
Percent complete with respect to materials	100%
Percent complete with respect to conversion	70%

Required:

i. Prepare a schedule showing physical units of production.

(2 marks)

ii. Calculate the equivalent units of production for materials and conversion cost.

(7 marks)

iii. Calculate the cost per equivalent units for materials and conversion cost and the total unit manufacturing cost.

(3 marks)

iv. The assignment of costs to units transferred out and in process at the end of October.

(4 marks)

(TOTAL: 20 marks)

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QUESTION 2

Carson Engineering Services manufactures and supplies fire-proof doors for industrial use. It produces two types of fire proof doors; wooden and metal doors. The manufacturing overhead cost is accumulated in five indirect cost pools as depicted below. The company intends to participate in a quotation exercise for two jobs: Job 420 and Job 421. Job 420 is an order for 20 units of fire proof wooden doors while Job 421 is for 8 units of fire proof metal doors.

The company has been using a traditional costing system to allocate its overhead cost. The current traditional costing system uses **machine hours** to allocate its overhead cost. Recently, the company implemented a newly designed activity based costing system. The Finance Manager wants to compare the overhead allocated under the traditional costing system and the newly designed activity based costing system before submitting the quotation for both the jobs.

The data on the activity cost pools, cost driver, manufacturing overhead cost, expected use of cost drivers for the current year is as follows:

Activity Cost Pool	Manufacturing Overhead Cost (RM)	Cost Drivers	Expected use of Cost driver
Purchasing	44,045	Number of purchase orders	2,300
Material handling	48,125	Number of material moves	5,500
Machine maintenance	124,300	Machine hours	11,000
Product Inspection	10,638	Number of inspections	1,350
Packaging	21,725	Units produced	3,950
Total	**248,833**		

Additional information regarding Job 420 and 421 is as follows:

	Job 420	Job 421
Number of purchase orders	28	10
Number of material moves	12	5
Machine hours	50	70
Number of inspections	10	4
Units produced	20	8

Required

i. Calculate the total overhead allocated to each job using the traditional costing method.

(3 marks)

Continued...

ii. Compute the activity based overhead rates for each of the five (5) cost pools and calculate the total overhead allocated to each job under an activity based costing system using the appropriate activity drivers.

(13 marks)

iii. Explain why the Finance Manager will favour the use of activity based costing over the traditional costing system in the quotation (pricing) process.

(4 marks)

(TOTAL: 20 marks)

QUESTION 3

a. Many companies prepare budgets as a planning and control tool. Explain four (4) key benefits of budgeting

(4 marks)

b. MICA Plastics Sdn Bhd manufactures plastic casings for electrical switches. The projected sales in units for the plastic casing for the first five (5) months of 2017 was tabulated below:

January	February	March	April	May
3,000	3,200	3,100	4,200	4,000

As at 31 December 2016, the inventory balance for plastic casing was 750 units. The cost accountant had estimated the desired ending inventory of plastic casing at the end of each month for 2017 should equal to 25% of the following month's budgeted sales.

Each unit of plastic casing requires two (2) pounds of plastic granules in the manufacturing process. The company wants to maintain 20% of the plastic granules for next month's production on hand at the end of each month. The cost of the plastic granules is RM 0.20 per pound.

Required

i. Prepare a production budget by month for the 1st Quarter of 2017.

(7 marks)

ii. Prepare a direct material budget for the 1st Quarter of 2017.

(9 marks)

(TOTAL: 20 marks)

Continued...

QUESTION 4

PART A

E-Zee Sdn Bhd had provided the following data for one of its product for the month of January 2017:

	RM
Price per Unit	25.00
Variable cost per unit:	
Direct material	6.90
Direct labour	5.80
Variable manufacturing overhead	3.40
Variable selling & administrative cost	1.90
Monthly fixed expenses:	
Manufacturing overhead	384,900
Fixed selling & administrative expense	354,300

Required

i. Calculate the company's contribution margin per unit and the contribution margin ratio.

(1 mark)

ii. Calculate the break-even point in units.

(1 mark)

iii. The company wants to earn a monthly net income of RM 269,500. How many units would the company has to sell to earning the projected net income?

(1 mark)

iv. Calculate the company's degree of operating leverage with current sales of 140,000 units.

(2 marks)

v. If the volume of sales increase by 6%, by what percentage would operating income increase?

(1 mark)

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PART B

Marco Products manufactures computer mouse which it markets and sells to computer retail shops for RM 45.00 each. The company uses a fixed manufacturing overhead cost of RM 6.00 per mouse. The following data was for the month of November 2017. The opening inventory on 1st November was 0 (zero).

	November 2017
Sales	2,500 units
Production	2,700 units
Direct material	RM 6
Direct labour	RM 8
Variable overhead manufacturing cost	RM 3
Sales commission per unit	RM 6
Total fixed manufacturing overhead	RM 16,200
Total fixed marketing & administration cost	RM 8,500

Required

i. Calculate the **manufacturing cost per unit** under absorption costing and under variable costing.

(1 marks)

ii. Prepare monthly income statements for November 2017, using:

(a) Absorption costing.

(5 marks)

(b) Variable costing.

(5 marks)

iii. Reconcile the difference in net incomes under the two approaches and explain what accounts for the differences.

(3 marks)

(TOTAL: 20 marks)

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QUESTION 5

(a) Explain the difference between ideal standard and normal standard. Which standard is usually adopted by companies?

(4 marks)

(b) Matrix Plastic company manufactures plastic waste bins for household use. The following standard has been established for one particular size of bin:

	Standard Qty	Standard Price
Direct material	0.5 pounds	RM 1.50 per pound
Direct labour	0.15 hours	RM 10.00 per hour

During the month of August the company had the following actual results:

Units produced	90,000
Actual labour cost	RM 138,000
Actual labour hours	13,400
Materials purchased and used	44,250 pounds @ RM 1.55 per pound

Required

i. Calculate the standard direct material and standard direct labour cost.

(2 marks)

ii. Compute the following:

(a) Material price variance

(b) Material quantity variance

(c) Labour price variance

(d) Labour quantity variance

(8 marks)

iii. The Production engineer explained that the unfavorable labor variance was due to the introduction of a new manufacturing configuration which was implemented on 1st August. His reasoning is that it would take at least a month for the workers to be efficient with the new process. Assume that the production is the same for the month of September and that the actual labour hours were 13,200 and labour cost was RM 132,000.

Recalculate the labour variances. Based on your answer should the new manufacturing configuration be continued? Explain.

(6 marks)

(TOTAL: 20 marks)

End of Paper.